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SUBJECT: ISRAEL-USSR: If Moscow and Tel Aviv  
Restore Diplomatic Ties

NESA M#86-20022

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## DIRECTORATE OF INTELLIGENCE

12 February 1986

ISRAEL-USSR: If Moscow and Tel Aviv Restore Diplomatic Ties

Summary

The reopening of diplomatic relations between Israel and the USSR would be a political coup for Prime Minister Peres and would bolster Labor's chances for victory if the national unity government collapses and an early national election is held. The Israeli public wants the restoration of ties with Moscow because it believes that Moscow would ease restrictions on Jewish emigration. In return, Tel Aviv probably would accept Soviet participation in an international peace conference on the Middle East. Israelis, nonetheless, would not support concessions to Moscow on issues they regard as vital to the country's security, such as yielding territory on the Golan Heights to Syria. [redacted]

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The Israeli Government would be hard pressed to provide permanent housing and jobs in Israel proper for an influx of new immigrants from the USSR while trying to hold the line on economic austerity. The resettlement of immigrants on the West Bank could jeopardize relations with the US and foreign Jewish funding for the absorption program. [redacted]

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The restoration of Soviet-Israeli ties would be criticized by Moscow's Arab allies, but--despite Soviet concerns to the contrary--none would go beyond pro forma protests because of

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their dependence on Moscow for arms. Moderate Arab governments would welcome the development if it were linked to an international peace conference. Moscow could use its role at a peace conference to complicate a US-brokered peace settlement in the Middle East. The Soviets would refuse to back any settlement unacceptable to Syria and the PLO. They do not possess the leverage to make Syria or the PLO sign an agreement not meeting their objectives and would not risk damaging bilateral relations by trying to force their acceptance. [REDACTED]

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Israeli officials continue to look for signs that Moscow may soon ease restrictions on Jewish emigration and normalize bilateral relations despite their disappointment at the lack of progress on these issues since the US-USSR summit at Geneva. The release this week of Anatoly Shcharansky is likely to raise Israeli hopes further. Although we believe a change in Soviet policy is not imminent, the resumption of Israel-USSR ties and an increase in Soviet Jewish emigration could have a major impact on Israel's political and economic situation and the prospects for achieving a US-brokered peace settlement in the Middle East.

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[REDACTED]

US Embassy and Israeli media reporting indicates that the Israeli public is keenly interested in reestablishing relations with Moscow and is hopeful that it would facilitate closer ties to Soviet Jewry and increase the immigration of Jews to Israel. Reflecting the public attitude, the Israeli Government periodically has reaffirmed its readiness to normalize relations with the Soviet Union. [REDACTED]

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The public's reaction would be tempered somewhat by concessions Israel might have to make in return. Media reporting indicates that in the view of most Israelis, Moscow was responsible for breaking relations and should take the initiative to correct the situation. Nonetheless, they probably would support concessions in areas that Moscow refers to as "anti-Soviet propaganda"--such as curtailing publicity about the plight of Soviet Jews or support for the new US Voice of America relay station planned for Israel--given the probable gains.

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The generally favorable public reaction to Peres's peace strategy, which he outlined to the UN last October, suggests Israelis probably would support Soviet participation in an international peace conference as long as it did not substitute for direct Israeli-Arab talks. In his speech to the UN, Peres

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declared Israel would agree to participate in an international conclave that would include the USSR (and the other permanent members of the UN Security Council having relations with Israel) if Moscow first restored bilateral ties. Peres has also indicated that Moscow would have to allow significantly more Jews to immigrate to Israel as a condition for convening an international conference. According to Israeli press reports, Peres privately told Knesset members in November that he viewed the resumption of Jewish immigration as even more important than the restoration of relations. [ ]

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The government would not yield on the issue of returning territory on the Golan Heights to Syria as a precondition for resuming relations with Moscow. Whereas most Labor leaders favor some territorial concessions on the Golan, Likud adamantly opposes returning territory there because of security concerns. Labor leaders, moreover, do not believe Syria would accept less than a total Israeli withdrawal from the Golan, which neither they nor Likud contemplate. Although the condition of Soviet Jewry commands considerable attention in Israel, the government would not permit this issue to compromise its basic security interest. We believe at most, the Israeli Government might be willing to reaffirm its willingness to negotiate a peace agreement with Syria without preconditions. [ ]

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#### Impact of Large-scale Soviet Jewish Immigration

A large influx of Soviet Jewish immigrants into Israel would have both economic and political repercussions. Estimates differ widely as to how many of the approximately 1.7 million Soviet Jews would choose to go to Israel if Tel Aviv and Moscow improve relations and the Soviets relax emigration restrictions. More than 160,000 Soviet Jews immigrated to Israel between 1969 and 1980, reaching a high of 33,458 in 1973. In 1984, however, only 345 Jews elected to go to Israel out of a total of 896 permitted to leave the USSR. Some Soviet Jews already in Israel claim that "hundreds of thousands" more would leave the USSR if they could, but US Jewish organizations active on behalf of Soviet Jewry estimated last year that only about 20,000 Jews in the USSR were being barred from emigrating. Israel's Ministry of Immigrant Absorption reported last October that it had made contingency plans to absorb "thousands" of Soviet Jews who might be allowed to emigrate in the near future. [ ]

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In the event of large-scale immigration from the USSR, the Israeli Government would be caught between its desire to maintain budget austerity and the need to absorb the new immigrants into Israeli society as rapidly as possible. Israel's experience absorbing over 8,000 Falasha immigrants from Ethiopia during the 1984 airlift "Operation Moses" demonstrates the budgetary strains that are likely to occur as a result of a large inflow of new immigrants from the USSR. Israeli officials estimate that absorbing the Falashas will cost over \$300 million, with half going toward housing. [ ]

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Of particular difficulty is the simultaneous provision of permanent housing and employment for new immigrants. [redacted] development towns with available housing, where new immigrants ordinarily would be resettled, are already struggling with unemployment rates of 20 percent or higher--well above the 7-8 percent rate nationwide. In the large urban areas where jobs are available, however, there is little inexpensive housing. Moreover, economic conditions in Israel are unlikely to pick up soon, continuing the squeeze on jobs and housing. Tel Aviv is likely to seek US economic assistance to cope with the problems caused by an influx of new Soviet immigrants. [redacted]

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Tel Aviv might choose to resettle new Soviet immigrants on the West Bank which has many inexpensive apartments within commuting distance of jobs in Israel proper. But this could lead to a political flap with the US, as did the resettlement last fall on the West Bank of approximately 50 Falashas, who had arrived in the 1984 airlift. Peres subsequently stopped the movement of additional Falashas to the West Bank, recognizing the potential risks to relations with the US and to substantial US and foreign Jewish funding for the absorption program. Vice Prime Minister Shamir, on the other hand, has insisted that relocating immigrants on the West Bank is the only feasible economic solution to the housing problem. He is also concerned with courting settlement activists, many of whom are Likud supporters, at a time that the pace of settlement construction has slowed considerably from what it was during previous Likud governments. [redacted]

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The immediate economic costs of absorbing new immigrants could be offset over the longer term by the likely improvement in trade relations with the Soviet Bloc as a result of resumed diplomatic ties. Israeli imports from the Soviet Union have averaged a miniscule \$35,000 the past few years--apparently books and other reading material--and no exports have been reported. At present, total trade turnover with Moscow's East European allies is almost \$100 million annually--of which half is with Romania--but this is still well under one percent of all Israeli trade. Some moves have been afoot over the last year to improve trade ties with Poland and Hungary, and renewed diplomatic relations with Moscow would no doubt facilitate this. [redacted]

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#### Effect on Peace Negotiations

The restoration of Soviet-Israeli ties might complicate the realization of a US-brokered peace settlement if Israel, in return, drops its opposition to Moscow's participation in an international peace conference. Moscow's principal diplomatic goal in the Middle East has been to reassert its role as a major player in the region and to obtain a seat at the Arab-Israeli negotiating table as an equal of the US. To that end, the USSR repeatedly has called for a return to US-Soviet cooperation on the peace process and for a reconvened international peace conference. Israeli--as well as US--opposition has prevented the convening of such a gathering. [redacted]

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Although Soviet officials have indicated privately that concern about Syria's reaction has been the major factor preventing Moscow from reopening ties with Tel Aviv, we believe none of the USSR's allies in the Arab world would go beyond pro forma protests if Soviet-Israeli relations were restored. Syria, Libya, and South Yemen are heavily dependent on the Soviets for arms supplies and are unlikely to jeopardize relations over the issue. Moscow probably would justify its decision to its allies in terms of strengthening its ability to exert influence on Israel, to push for a broader international conference, and to better defend Arab interests. [ ]

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Moderate Arab governments would welcome the resumption of Soviet-Israeli ties, particularly if they saw it as facilitating an international peace conference. They support convening such a conference because of their frustration over the lack of progress toward a comprehensive settlement and increasing skepticism that the US is capable of playing the role of honest broker. US Embassy reporting indicates that although the Egyptians and Jordanians believe the USSR has little to contribute to the peace process, they also believe Moscow would do less damage if it were included in negotiations. [ ]

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We believe Israel would strive to minimize the Soviet role in a peace conclave. Peres has stated that he sees an international conference only as a loose framework within which Israel would hold direct negotiations with a Jordanian-Palestinian delegation and with Syria, if it chose to attend. In his view, the extra-regional parties attending the conference would not have the power to veto agreements that are reached in direct Israeli-Arab talks. [ ]

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Soviet officials have made it clear that the USSR would not attend a conference unless it is accorded a role equal to that of the US and unless Syria and the PLO are represented. We believe Moscow might attempt to moderate Syrian and PLO positions if it obtained a significant role at the peace conference but almost certainly would not back a settlement unacceptable to them. Moscow does not possess the leverage to make Syria or the PLO sign an agreement that did not meet their objectives, and it would not risk damaging bilateral relations--especially with Damascus--by trying to force their acceptance. [ ]

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